

Strategies for Young AFI Savers

IDAs can be powerful tools for enabling young people to learn about personal finance and accumulate savings. Young people, like other groups that can benefit from IDAs, have special needs and particular strengths. It is important to keep these factors in mind when designing an AFI Project that will have younger participants. Young people need savings programs that are relevant to their lives, that allow them to reach immediate or short-term goals, and that include training and interactions structured for their particular needs.

1. Young Participants and IDAs

- Some projects enable young people to open an IDA, perhaps with their parent or guardian as custodian of the account.
- Other projects are structured so the parent opens the IDA on behalf of a dependent child 17 years of age or younger (the child can be 18 or older if he/she is still enrolled in high school). The adult saves his or her earned income and transfers the IDA to the youth at the appropriate time.

2. May ASn AFI Project Have Young Participants?

Yes. AFI grantees may allow youth participants to enroll in their existing IDA projects. It is not necessary to create an entirely separate program for youth. However, if your organizations want to have a significant number of young participants, please give consideration to its capacity to accommodate this unique target population along with adult IDA participants. For example, would your organization need to modify the account design, program structure or financial security (financial literacy) curriculum to better meet young participants' needs? Would your organization provide extra or new forms of case management and support?

3. What Account Structure Is Best for Young Participants?

AFI Projects may design their account structure in many ways, as long as they are consistent with AFI guidelines. For example, programs may choose the match rate; the time period participants have to meet their savings goal; and establish the minimum monthly deposit. As your organization designs an account structure for young participants, consider what amounts will work for them and realistically how much to expect them to save each month. Remember the following AFI requirements:

- **Match Rate.** Projects may choose to match participants' savings at a rate from \$1 to \$1 up to \$8 to \$1.
- **Match Cap.** AFI places a limit on the federal funds allocated to each account. It is \$2,000 per individual and \$4,000 per household.

- **Savings Period.** Under AFI, participants must save for at least six months before making a withdrawal.
- **Emergency Withdrawals.** Under AFI, participants may only withdraw IDA savings for non-asset purchase when these funds are needed: 1) for medical expenses, 2) to pay rent or mortgage to prevent eviction or foreclosure, or 3) to pay for vital living expenses (e.g., food, clothing, shelter, utilities, heat) following a job loss. A participant may withdraw funds for these expenses if they are incurred for the participant, a spouse, or a dependent, but they may only withdraw money deposited. They may not withdraw the IDA matching funds.

4. Type of Asset Purchase Goals

Programs may choose to allow any of the three AFI asset purchases (postsecondary education, microbusiness expenses, or first-time homeownership). Projects may also limit the savings goal to some of these three. For example, an organization might want to structure accounts so young participants can save for higher education. In addition, remember that all AFI funds must be expended by the end of the project, so make sure the young person can achieve their asset goal before the end of the grant. For example, it would be impractical for a 12 year old youth to save in an IDA for college.

(If your program has other funding sources besides AFI, other potential youth asset goals could be for a security deposit on a first apartment, summer camp tuition, athletic equipment, a musical instrument, and other short-term asset goals.)

5. What are Some Target Youth Populations?

It may be good to focus your project on youth from particular groups or with specific backgrounds or affiliations. When considering the best strategy for reaching out to young people, consider your organization's mission, its capacities, and the particular needs of young people in its community. Here are a few potential target groups:

- Children of adult IDA participants
- Youth emancipating from foster care
- GED program students
- Vocational School, Community College and College students
- Un- and under-employed young people lacking a high school diploma
- Youth recipients of public assistance, such as child care, food stamps, or Medicaid

6. What Are Potential Recruitment Venues?

Collaborate with community, faith-based and youth-serving organizations to reach and recruit youth:

- High school counselors, teachers, and administrators
- Non-traditional or charter high schools
- Athletic teams

- City or County School District Board
- Community colleges
- Job training programs
- Workforce Investment Act Youth One Stops
- 4H Clubs
- Religious institutions and youth groups
- Youth clubs
- Social service agencies
- Parent Teacher Associations (PTA)/Parent Teacher Student Associations (PTSA)

7. What Are Marketing Strategies for Recruiting Younger Participants?

- Develop a marketing message that is clear and simple and focuses on the particular benefits younger people will derive from the program.
- Hire youth to have younger volunteers help recruit other youth participants.
- Testimonials from past IDA participants.
- Seek special purpose funding to support outreach to young people. For example, target youth in a specific city council district where the council person has made a contribution for the IDA program.

8. What Makes IDA Programs Work for Young People?

Program Policies and Structure

- IDAs alone are not sufficient to engage many young people. AFI Projects must include or be linked to other things that interest youth, such as entrepreneurship, job training, internships, computer training, sports, and the like.
- Matching funds alone do not seem to be enough incentive for many youth to participate, especially those who are not planning for the long term or who have a goal that requires more than one year of saving.
- Short-term gratification is key to helping youth see the benefit of saving.
 - Build in rewards for saving or reaching goals. For example, after 3 months of regular saving with no missed deposits, give the young participant a small reward, such as a gift certificate.
 - Create a spectrum of allowable uses if your organization has additional resources to the young participants graduate from one to the next.
 - Check-in with the young participants regularly to let them know how much they have saved. If you mention to them how much they have in their account plus match, they usually get more excited about saving.

Characteristics of the Young Participants

- Young people who are goal-focused are most successful at asset building.

- Those youth closest to the time when they will need funding for a specific need save more regularly and consistently.

Significant Adult Involvement in the IDA Program

- Youth may be more likely to maintain consistent involvement and have higher rates of saving if there is parental or familial support for their involvement.
- IDA programs that have young participants are most effective if they are staffed with people with skills, training and experience at working with younger people!
- Youth who already had relationships with program staff had higher levels of participation.

9. Earned Income

AFI says that IDA saving deposits must be from earned income.

In addition, there is growing awareness in the field that for young participants in particular, the IDA savings should come from the youth's own earned income and the programs should put special emphasis on helping the young person make decisions about his own money. This strategy helps the young saver to fully understand the power of savings and managing money effectively. This also provides stronger context for financial education materials. Of course, it is a disadvantage when work impacts a student at school. Ideally, the young person can manage both school work and a job.

10. What Are Sources of Earned Income for Young Participants – Other than Income from a Formal Job?

- **Allowance.** Provide parents with ideas on establishing allowance procedures within the household and linking payment with doing well in school or completion of benchmarks or tasks within the home.
- **Fundraising activities.** Organize fundraisers so accountholders can earn money. At the end of the fundraiser, youth divide the profits among the group members and deposit the earnings in their IDAs.
- **Pay for performance or reaching certain benchmarks in the program.** Pay youth for attending financial literacy classes and for completing homework assignments. Bonuses are provided for perfect attendance and high levels of achievement.
- **Pay for community service.** Provide community service opportunities for accountholders. For each hour of community service, accountholders are paid a certain amount to then be matched in their IDA.

11. Should There Be Family and Adult Involvement with Young Participants?

- It is best to structure some level of family engagement into the program design to ensure savings behaviors and financial literacy concepts are supported and reinforced in the home environment. Invite the parent or guardian to attend the AFI orientation and financial literacy class to learn what the program is about. By having the parent or guardian involved, they will likely be more engaged with the youth throughout the project.

- Design opportunities for young participants to develop one-on-one relationships with staff or another non-related adult through some type of mentoring program.

12. How Do IDA Programs Address Potential Legal Issues that Might Arise for Young Participants under the Age of 18?

Those young participants 18 or over have full adult legal status in all aspects related to IDAs. In general, persons under 18 years of age do not have the legal capacity to enter into a contract. This legal status should be taken into account when designing the IDA account. Here are some recommendations for addressing legal issues:

- **Establish Savings Agreements.** Include an agreement signed by the youth IDA accountholder, his or her parents or guardian, and the IDA program representative. The agreement should detail the obligations of each party, spell out the nature of the accounts, and any custodial features it may have.
- **Custodial Accounts.** Establish custodial accounts with youth with either the program or parent/guardian serving as the custodian to reduce the temptation of the youth to use the savings for purposes other than asset purchase. Make the parent/guardian's approval of the custodial account form irrevocable if there is concern about parents trying to reach their children's funds. In the case of custodial accounts, ensure funds are in a federally or state-insured account and that communications with the accountholder are clear and regular, because the standard of duty and care is higher with custodial accounts.

13. What are Recommendations for Staffing?

- Try to dedicate at least 0.5 to 0.75 full-time-equivalent staff persons at the onset of the program per 25 youth. (Youth development professionals recommend 1 to 10).
- Program staff need to be comfortable with and skilled at working with young people. They should be able to engage youth as partners in their own development.
- Provide ongoing youth development and asset-building training opportunities for staff.
- Provide additional supportive services to youth, such as transportation, counseling referrals, job readiness coaching, or academic assistance as part of the program or in partnership with another organization.
- Coordinate with other organizations serving the youth, especially their school teachers.

14. What Are Ways to Involve Young People in the Development and Operation of the AFI Project?

- Give the youth real partnership roles in developing the AFI Project – youth served by the project should be involved in all phases of project design, implementation, and evaluation.
- Ensure that young people are involved in leadership roles within the program by asking younger representatives to serve on the organization's board of directors or advisory board.

- Provide staff with training opportunities to explore assumptions about power and sharing leadership with young participants.

15. How Do You Ensure that Young Participants Attend – and Feel Comfortable at – AFI Project Training Courses and Other Activities?

- Ensure the activities are delivered in a safe, easily accessible, youth-oriented location.
- Set up the physical space to encourage informal, interpersonal communication.
- When conducting training, do not use a traditional classroom set-up. Arrange the seats in a circle or semi-circle shape to encourage dialogue among youth participants.
- If the training takes places away from school or after school hours, provide transportation options.

16. What other Incentives and Activities Will You Offer Young Participants besides the IDA and Financial Literacy?

Research shows young participants are not motivated by money and the match alone. Consider offering other incentives and activities, such as:

- Entrepreneurship
- Job training
- Internships
- Computer training
- Sports
- Other rewards for savings performance

17. Additional Resources for Young Participants

Given that young participants have particular needs and strengths, AFI Projects are encouraged to collaborate with groups that can meet those needs. Form partnerships with these resources and make specific agreements outlining which services a partner agrees to provide. Develop a way to track the response and outcome to ensure the young person receives this critical assistance.

- Job training
- Career and Academic Counseling
- Local colleges, vocational programs, GED programs
- Federal financial aid and loan options
- Scholarship resources
- College Investment Plans (529) – an education savings plan operated by a state or educational institution designed to help families set aside funds for future college costs. As

long as the plan satisfies a few basic requirements, the federal tax law provides special tax benefits to the plan participant (Section 529 of the Internal Revenue Code). Investing in a 529 qualified tuition program that may help savings investments grow faster than in a taxable account. Earnings on the investment grow 100% tax free, and withdrawals for qualified educational expenses are tax free as well.

18. Financial Security Education (Financial Literacy) Specifically for Younger Participants.

Financial security education courses for young participants need to emphasize “fun.” It is best if staff provide information and skill-building exercises in a way that is most relevant to youth. Activities should be structured to minimize similarities between the financial literacy education and school classes to keep youth involved and engaged.

AFI Projects may find it challenging to provide financial literacy training to suit young people, especially if they are accustomed to teaching financial literacy to adult participants. While adult financial education often is packed into a few sessions over a couple of weekends, or into weekly classes over just a few weeks, this approach is not likely to work with youth. The process probably needs to be more incremental, in smaller units of time, and somehow linked to other activities, such as field trips or entertainment.

Select an appropriate financial literacy curriculum for young people. Some programs have developed their own curricula, which others have found other curricula that while not based on IDAs, were developed especially for young people (see examples in next question).

- Is the curriculum based on clear and measurable learning objectives?
- Does the curriculum cover the topics most relevant to the group the AFI Project is serving? Consider age, geographic region, race/ethnicity, and household socioeconomic status.
- Will attainment of the learning objectives by the youth result in the outcomes most relevant to the group the AFI Project is serving?
- Do the materials within the curriculum focus on the youth’s own financial situation as the dominant context for application as opposed to the household financial situation or hypothetical situations?
- Does the curriculum use a variety of methodologies to meet particular learning styles? Methodologies may include large group facilitated discussion, individual exercises, brainstorming, small group/team exercise, case studies, games, simulations, field trips, and problem solving.
- Does the curriculum emphasize building on the skills experiences, and knowledge the youth bring to the training?
- Are the instructions for setting up, running, and processing each activity clear?
- Are there clear transitions or linkages from one section of a session to another?
- Does the curriculum emphasize having fun while learning?
- Does the curriculum emphasize facilitation rather than teaching?

19. Financial Literacy Resources Designed Especially for Youth?

- The National Endowment for Financial Education (NEFE) ***High School Financial Planning Program*** (HSFPP). A six-unit program that can be completed in as few as 10 classroom hours. The program uses unique games, simulations, case studies, and interactive exercises to provide hands-on experience for students to test and apply the financial principles and concepts being taught. The Student Guide is also available in Spanish. An Instructor's Manual is provided for each teacher, and every student is given their own student guide with perforated portfolio pages all at ***no cost***. In addition, NEFE provides a Web-based training program aimed at teachers and others who work with young people. For more information or to order this curriculum, go to: <http://www.nefe.org/hsfppportal/> and <http://www.nefe.org/hsfppportal/includes/main/home.asp?portal=4>.
- The ***Jump\$tart Coalition for Personal Financial Literacy*** seeks to improve the personal financial literacy of young adults. Jump\$tart's purpose is to evaluate the financial literacy of young adults; develop, disseminate, and encourage the use of standards for grades K-12; and promote the teaching of personal finance. For more information, contact: (888) 45-EDUCATE; email: info@jumpstartcoalition.org; or go to: <http://www.jumpstart.org/>

20. Additional Resources Regarding Youth IDAs and Youth Development

- ***Individual Development Accounts for Youth: Lessons from An Emerging Field.*** Written by Inger Giuffrida and published by CFED (December 2001). Documents the activity in, lessons learned from, and effective practices among IDA programs that seek to promote long-term savings behavior in young people. [\$30.00] Call CFED at (202) 408-9788 to purchase a copy of this report or order on CFED's website <http://www.cfed.org>
- ***Assets: A Quarterly Update for Innovators.*** Corporation of Enterprise Development. The fall 2000 issue of *Assets* focuses on asset-building strategies that help children young adults build financial knowledge and skills to better both their current and future economic situations. <http://www.cfed.org/publications/assets/assets%20fall%2000.pdf>
- ***Jim Casey Youth Opportunities Initiative Opportunity Passport Pilot Project*** is designed to organize resources and create opportunities for young people ages 14 through 23 who were in foster care after their 14th birthday. The Opportunity Passport has three related components: A personal debit account to be used to pay for short-term expenses; an Individual Development Account; and access to a host of opportunities to be developed on a local basis. The Initiative is piloting the Opportunity Passport in selected sites around the country. <http://www.jimcaseyyouth.org/opportunitypassport.htm>

Portions of this resource document are based on materials in the CFED publication, Individual Development Accounts for Youth: Lessons from An Emerging Field (noted above). To order this publication, call (202) 408-9788.

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